

POLITICS AND GOVERNANCE

- No time wasted on guessing the most important event/evolution in March: Moldovan government meeting the donors in Brussels on March 24-25, 2010. And it is not all about money, even though the funds pledged, a handsome 2.6 bln. USD aid package, is significant (although significant sums were pledged a couple of years ago to the Communist government, too). It is also an important gesture of recognizing brightening outlook for Moldova following so far successful government's efforts of halting the most damaging effects of the economic crisis and tentative reform efforts amid uncertain political and economic developments. The donors' decision is also an outcome of an efficient diplomatic offensive conducted by Moldova in preceding months and the fact that Moldovan government did not come just hat-in-hand. Indeed, the "Rethink Moldova" report offers a coherent and comprehensive development framework, setting clear mid-term development priorities (varying from governance and administration reforms to infrastructure projects) and with reform costs' estimates (almost 2.6 bln. Euros for 2010-2013 timeframe).
- Although Moldovan officials have been adamant to avoid recognizing any strings attached to this bonanza, we can easily fathom at least two of them. First of all, Moldova's absorption capacity and ability to use these funds efficiently will be an upmost factor determining donor community's decision whether to disburse the money at full (or even add some more funds to match completely government's financing needs) or halt the process as result of inadequate use of resources, as sometimes happened in previous years. Secondly, although the donor community decided to support Moldova (and implicitly the current government) in the times of heightened political instability, this is clearly not a mandate for political and constitutional changes that would transgress the rule of law principle. In other words, the governing alliance may put forwards whatever political reforms it wants with only condition: the law should be respected. And this hints at certainty of the early parliamentary elections.
- Equally important, the donors' conference was followed by the second round of negotiations on the Association agreement between the EU and Moldova. The implementation of this Agreement will undoubtedly require significant efforts from Moldova, especially in the areas of Justice, Freedom and Security as well as inter-sector cooperation that are full of institutional snags and where special interests' resistance will be the strongest. Undeniably, implementation of the "Rethink Moldova" framework will decisively contribute to the implementation of the Association agreement pre-conditions, leading to a sort of synergy between these two efforts. This means the implementation of the Association agreement features similar risks and opportunities. Moldova should and can accomplish more than formally envisaged, but for this matter it has to deliver on its promises. Do not forget that renewed donor support and Association agreement negotiations come at somewhat difficult times for the EU itself as well as at times when Ukraine, Moldova's bigger neighbor, initially more-advanced in its euro-aspirations is now teetering on the brink of falling back into Russian sphere of influence. So more is the pressure on Moldova to match its words with deeds. In fact, will there ever be a better chance?

In this issue:

- *Moldovan Government meeting international donors in Brussels: why was it so important?*
- *2.6 billion USD to Moldova: conditions apply?*
- *Scientific estimates confirm big losses of grapes harvest;*
- *Industry: warming up due to cold winter;*
- *Households: averse to consume more?*
- *Unemployment: going up with no reversal signs so far;*
- *Non-Performing Loans: from bad to worse;*
- *Moldova's foreign trade: continues recovering;*

EXPERT-GRUP is a Moldovan policy think-tank. Its mission is to contribute to the economic, political and social development of the Republic of Moldova and to support consolidation of the country's international competitiveness.

Contact details:
address: MD-2012, Moldova, Chisinau, Columna str., 133, office 1
telephone: 373-22-930014,
fax: 373-22-211599
email: info@expert-grup.org,
web: www.expert-grup.org

REAL ECONOMY is a monthly economic review tracking the most important policy and economic changes. It has a clearly defined structure and unbiased approach, as its very name conveys. Our target-readers are economic policymakers, chief executive officers of domestic and international companies and banks, representatives of the international institutions and foreign embassies, political parties and economic journalists.

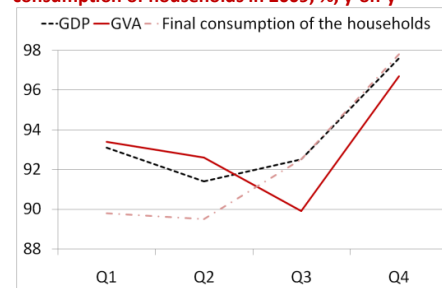
Used acronyms and abbreviations:

y-o-y - year on year; **q-o-q** - quarter on quarter;
Q4'07 – fourth quarter 2007; **Jan'09** – January 2009;
NBS – National Bureau of Statistics; **NEA** – National Employment Agency; **NBM** – National Bank of Moldova; **EG** – Expert-Grup; **MDL** – Moldovan leu (national currency); **p.p.** – percentage points;

GROSS DOMESTIC PRODUCT

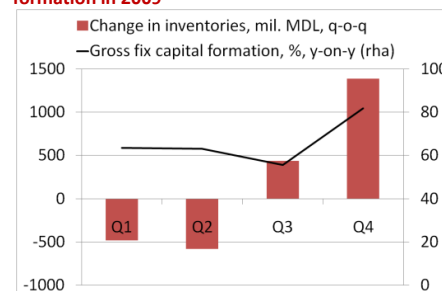
- Moldovan economy surpassed Governmental, IMF and our expectations in the last quarter of 2009. The economy declined in the fourth quarter by 2.4% y-o-y (Chart 1), a much lower indicator than in the first three quarters of the year (7% y-o-y). This “positive” evolution is indeed partly favored by lower comparison base (GDP in the last quarter of 2008 started falling when the global economic crisis already showed its first effects on the Moldovan economy). Overall, in 2009 the GDP declined by 6.5% compared to the predicted 7-8% decline by the Government and 9% decline according to the IMF forecasts.
- The Gross Value Added (GVA) decreased in the last quarter by 3.3% compared to 10% decline in the previous quarter. However, the annual value of GVA remained 6.4% lower than in 2008, with industrial and construction sector contributing most significantly to the decline, by 2.7 and 1.4 percentage points, respectively. This is not surprising, given the dependence on the external demand (of the processing industry) and domestic demand (of the construction sector, especially housing).
- Some moderate progresses were registered on the GDP expenditure side as well. The moderate stabilization of remittances in November and December 2009 influenced final consumption of the households, which decreased only by 2.2% in the last quarter, compared to values around 10% in the first three quarters. The already low base of comparison in the last quarter of 2008 brought some effects as well. However, the decline in consumption is estimated to have ended based on data on retail trade and services rendered to the population in the first two months of 2010 and we estimate a moderate increase in consumption in Q1'10.
- Gross capital formation decreased by 31.3% in 2009, but registering a sizeable progress in the last quarter. Both gross fixed capital formation and inventories grew (Chart 2) indicating positive expectations of the companies and a positive change in the aggregate demand starting with the third quarter. Thus, in the last quarter the gross fixed capital formation reached 81.9% compared to the similar period of 2008; at the same time, change in inventories was more significant than in the early 2008.
- The evolutions in Q4'09 show that the main elements of GDP formation are close to the values in Q4'08. This suggests that the economic situation is on stabilization path; however, in order to reach the pre-crisis level Moldova will need few more years. Moreover, in the short-run it will be impossible to change the model of economic growth in Moldova, and, with the bank sector unable to finance large capital investment, final consumption is expected to remain the main engine of economic growth in short-run.

Chart 1. Quarterly evolution of GDP, GVA and final consumption of households in 2009, %, y-on-y



Source: EG calculations based on NBS data

Chart 2. Change in inventories and gross fixed capital formation in 2009

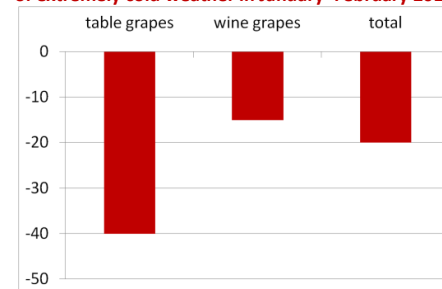


Source: EG calculations based on NBS data

AGRICULTURE

- Preliminary assessments conducted by specialists from the Institute for Horticulture and Food Technologies confirmed what we were much concerned of in the previous issues of the Real Economy: last winter lower-than-average air temperatures sizably undermined of grapes harvest outlook (Chart 3). Harsh climate is estimated to have undermined grapes harvest by around 15-20%, with table grapes suffering a more severe blow (up to -40%) than wine grapes (up to -15%). So far, no scientific estimates have been done on the impact of frost on fruits, but we expect here heavy losses too.
- A country visit conducted by a delegation of Nestle corporation – the world biggest food producer - to Moldova was an event which is remarkable by any

Chart 3 Likely decline of the grapes harvest as result of extremely cold weather in January–February 2010



Source: Ministry of Agriculture and Food Industry

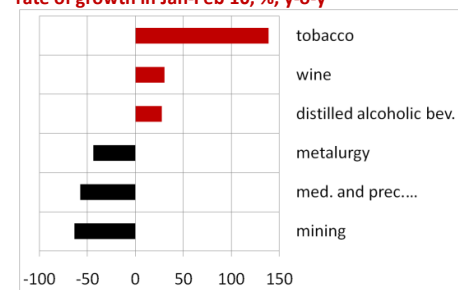
account. The incumbent government invited Nestle to make investments in Moldova. As investment climate conditions were a central point of discussion, we do not expect Nestle coming in the country quite soon. But when Nestle comes, it will engender systemic changes into the Moldovan agriculture, which are likely to be felt almost immediately and deeply.

- Policy discussions were framed along three main issues: 1) governmental promises of “freezing” tax debts of farmers to the state and social insurance budgets; 2) regulations regarding the agriculture subsidies; and 3) exclusive rights of brandy exports. Regarding the first issue, the bottom line conclusion is straightforward: when you start fiscal amnesties (and Moldova had many in the recent decade or so), it is difficult to stop them. On the second issue, we expected that new rules adopted by the Ministry of Agriculture for subsidies provision would be effectively enforced, but there are emerging signs that the performance related criteria (such as would-be-beneficiary being part of a professional or sector association and presenting a credible business-plan) are likely to turn to formal. On the third issue, we do not have yet all details for the picture to be completely clear. Indeed, is it ok that one company has exclusive rights of exporting brandy from the Aroma JSC to the Russian market? As a short-term measure, probably it can be accepted, but in long-term it is certainly a sub-optimal arrangement. We will however dig more into this issue to understand what it is going on here.

INDUSTRY

- Little interesting for the moment in this sector. New statistical data released confirmed by and large what we claimed in the issue no.12 of the **REAL ECONOMY**: God thanks we have cold winter which increases demand for thermal and electric energy (with production increasing by 11.4% in Jan-Feb’10) and thus gives an overall good impression on the entire industrial sector (+4.1%).
- The mining and quarrying industry remained deeply in red in Jan-Feb’10 (-64% y-o-y) with little positive signs so far. This reflects the “vegetative” situation in the constructions sector. Other two sectors upstream to construction and which have fared much poorer in February than in January are production of metal articles (mostly used in constructions) and production of non-metaliferous articles (standing for construction materials, such as cement, bricks, tiles and others alike).
- Aside from mining sub-sector, other two worst performers are production of medical equipment and precision tools (with outlook only getting poorer in February and March) and metallurgy. But the entire manufacturing industry improved a bit, from 1.7% y-o-y in Jan’10 to 2.3% in Jan-Feb’10. On the bright side there are production of the alcoholic beverages and tobacco products (Chart 4), where growth rates hit spectacular highs.

Chart 4 Top-3 and bottom-3 industrial branches by rate of growth in Jan-Feb’10, %, y-o-y



Source: NBS

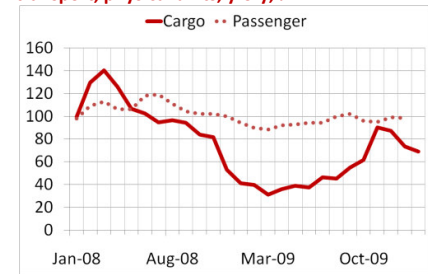
INVESTMENT AND CONSTRUCTIONS

- There are no new statistical data related to constructions and investment but there are no visible signs of situation getting any better either. Government adopted a decision to create a Working Group to analyze the constructions sector and advance solutions. In Moldovan political tradition, Working Groups are most often created when the Government has no tools, resources or will to really get involved. Main problem of the sector is just as clear as complicated to solve: lack of liquidities to get the unfinished sites completed. With banking sector being risk-averse, and especially, constructions-averse, there are no indeed quick solutions in sight for the construction companies. Money from abroad in form of direct investment and bank loans are indispensable. Equally indispensable is to put in place a functional mortgage system to stimulate the demand for residential real estate.

SERVICES

- In March only statistical data on transport sector were available for analysis. The bottom line conclusion based on these data is that transport activity is not even bottoming out, leaving apart recovering to pre-crisis levels (Chart 5). In Feb'10 the volume of cargoes increased 33% compared on Jan'10, but it represented only two thirds of the cargoes volume transported in Feb'09, when the crisis was fully-fledged. On the other hand, the total distance covered by cargo transporters has significantly increased which means that Moldovan exporters are targeting remoter markets. This conclusion pertains only to road and air transport, while railroad transport services seem less flexible in this regard.

Chart 5. Growth rate of the cargo and passenger transport, physical units, y-o-y, %

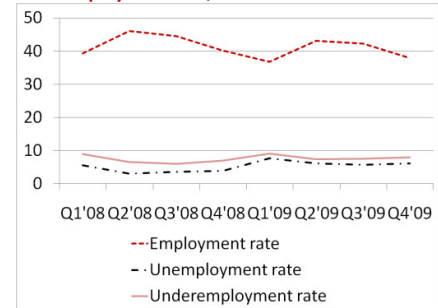


Source: NBS

LABOUR MARKET

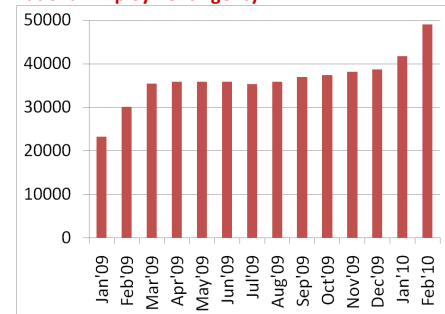
- Despite the general economic situation “improving” in the last quarter of 2009, labor market indicators continued negative trends. Employment rate in the fourth quarter of 2009 decreased by 2.3 p.p. y-o-y (Chart 6), reaching historical lows. At the same time, the crisis affected differently different age groups. The most vulnerable was the population aged 35-54, with the number of employed decreasing by 6%. At the same time, those aged 25-34 were less exposed, which suggest that, despite difficulties in finding a job, this generation seems more flexible to keep their jobs.
- The decrease of employed population was more significant in the economic sectors mostly exposed to the economic crisis: construction (-16.1%), transport and communication (-10.3%) and agriculture (-12.7%), due to the less favorable weather conditions in 2009 compared to 2008.
- Other data reflecting the fragile situation on the labor market in late 2009 are the underemployment rate and the share of discouraged individuals in the inactive population. Both indicators increased in Q4'09: underemployment rate registered 7.9% (1 p.p. more than in Q4'08) and the share of discouraged individuals in inactive population increased to 2%, a three-year height.
- The unemployment rate almost doubled in the last quarter of 2009 compared to Q4'08 and reached 6.2%. Both NBS and National Employment Agency data show that men were more affected than women, which is a reflection of the crisis-mostly affected economic sectors employing more men. Moreover, NEA data show a continuous increase in the number of registered unemployed in the first two months of 2010 (Chart 7), indicating that the crisis is still rampant on the labor market.

Chart 6. Employment rate, unemployment rate and underemployment rate, %



Source: NBS

Chart 7. Unemployed individuals registered at National Employment Agency

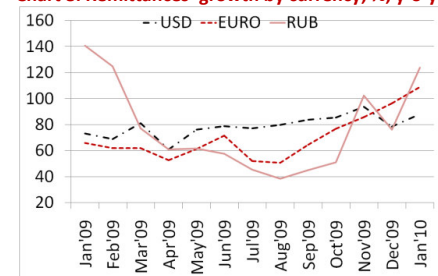


Source: National Employment Agency

HOUSEHOLDS' INCOME

- The wages in the real sector increased by 3.5% in the first two months of the year. In some economic sectors where the recovery has been slower (mining and quarrying and construction), but also in those where some growth in output has been registered lately (electrical and thermal energy, gas and water) the salaries continued to decrease. In some sectors – such as processing industry, retail trade, transport and communications, financial activities – the first signs of economic growth resumption are associated with a slight increase in wages. However, a higher growth of the wages is expected only when economy starts rebounding stronger.
- The evolution of wages in the budgetary sector during 2009 was brighter, as these increased by 8.5% due to administrative wage increases in the educational and health sectors. In public administration sector the wages dropped by 3.7% as a result of cuts in wage supplements. For 2010 no significant wage increases are expected in the budgetary sector due to the austere budgetary policy adopted by the Government.

Chart 8. Remittances' growth by currency, %, y-o-y



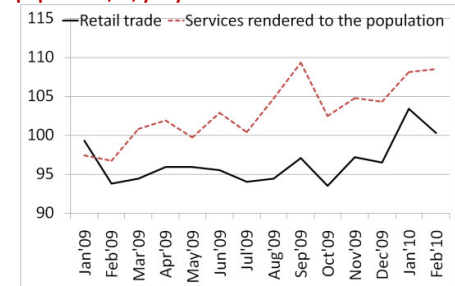
Source: EG calculations based on NBM data

- After the significant decrease of remittances in early 2009, in January 2010 the decline was only 1.5% compared to January 2009. Thus, a slight stabilization of remittances is already achieved and in the following months, even an increase might be registered, especially before spring holidays. The workers' remittances in Euro already increased by almost 9%, while the transfers in USD decreased by 12% (Chart 8), reflecting the slight economic rebound in Western Europe and slower recovery in CIS countries.

HOUSEHOLDS' CONSUMPTION

- Retail trade volume rose two months in a row, but in February the growth rate was lower than in January: 0.3% as compared to 3.5% y-o-y (Chart 9). This positive evolution is in line with the stabilization of the remittances early this year and is expected to serve as main engine of the economic rebound in the Q1'10. Mirroring the 2009 trends, the trade with foodstuffs increased by 2%, while non-food retail trade decreased by 0.8% in Feb'10.
- Also, in Feb'10 the volume of services rendered to the population increased by 8.5% y-o-y. The most significant growth was in Chisinau, where the recovery started earlier, while in the central and northern regions the amount of services rendered to the population is still under the 2009 levels.
- In Feb'10 consumer credit dropped again by about 25% y-o-y and this was after a slight stabilization in Dec'09 and Jan'10. This coincided with the increase in interest rates for consumer credits on average by 0.3 p.p. in February compared to January, as banks are inclined to cover non-performing loans by higher margins on the on-going credits.
- On the other hand, the interest rates for the bank deposits did not increase. Therefore, despite the first signs of remittances' stabilization, population deposits registered in Feb'10 a decrease for the second month: -0.4% y-o-y.

Chart 9. Retail trade and services rendered to the population, %, y-o-y

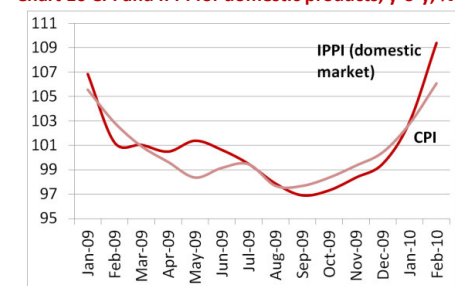


Source: NBS

PRICES

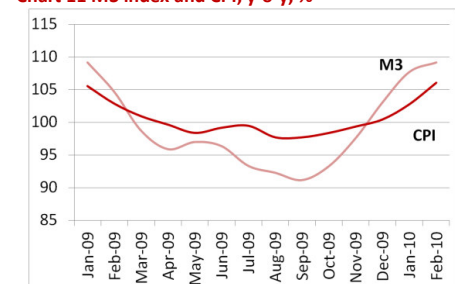
- Inflationary pressures continued escalating in Feb'10, with a 6.1% hike in annual CPI and 2.1% increase in comparison with the previous month. The foodstuffs contributed 0.9 p.p. to the monthly CPI, followed by services (+0.7 p.p.) and non-food products (+0.5 p.p.).
- As the NBM mentioned in a public statement, there is a high probability of inflationary trend exceeding the targeted corridor by the end of the current year on the ground of expected increases in administratively set prices, imported inflation and growing production costs. It is worth mentioning that the 12-month core inflation, which can be directly influenced by the central bank, was only 4.3% - fitting well in the targeted corridor of 5% (± 1 p.p.).
- The soaring foodstuffs inflation was mainly determined by a 41.1% hike in prices for vegetables and 51.8% hike in prices for sugar in February this year. In the first case, it was conditioned by increasing storage costs, while in the second case – by the poor harvest previous year.
- Increasing administrative prices (electricity by 10.6%, heating by 8.7% and gas by 5.8%) reflected in growing costs (Chart 10) and fueled the inflationary expectations.
- Other major culprits for soaring prices were a 3% depreciation of the national currency against US dollar and increasing prices on external markets. Imported inflation propagated mainly via fuel (+19.3%), vegetables and sugar.
- The 9.2% increase in monetary mass (M3), in annual terms, reveals the monetary pressures on the price level – a testimony of tepid stabilization of internal and external demand (Chart 11).

Chart 10 CPI and IPPI for domestic products, y-o-y, %



Source: NBS

Chart 11 M3 index and CPI, y-o-y, %



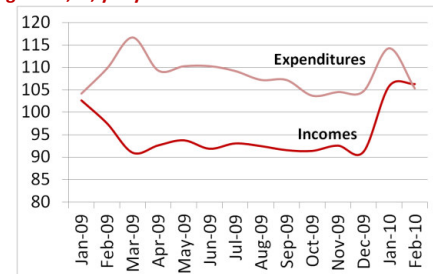
Source: NBS

- For the next few months the inflationary pressures will be mainly generated by new waves of price increases for imported natural gas, imported inflation (fuels, vegetables), and unfavorable climate conditions which will negatively influence the harvest, drive up production costs and, finally, will fuel inflationary expectations. On its turn, the NBM will have to address these challenges through a gradual and equilibrated tightening of the monetary policy, without threatening the fledgling economic growth.

BUDGETARY AND FISCAL POLICY

- In Feb'10 signs of stabilization of public finances were noticeable, given the decreasing fiscal gap on the ground of converging annual growth rates of public revenues and public expenditures. Obviously, this is a necessary prerequisite to lessen the budgetary deficit (Chart 12).
- The annual increase in public revenues by 6.3% was determined mainly by the increase in indirect taxes: VAT receipts (+13.7), excises (22.3%) and custom duties (+0.4%). At the same time, the revenues from payroll taxes decreased by 1.0%, revealing that, despite increase in domestic and external demand, stabilization of the Moldovan economy is hardly a foregone conclusion.
- The total public expenditures increased in Feb'10 by 5.3% in comparison with the previous year. It was traditionally driven by expenditures for social assistance (+13.4%), health care (+0.4%) and education (+19.8%). However, due to the increase in public revenues, the pension bill and the wage bill in public sector is no longer a major challenge for the Government.
- The real challenge for the budgetary policy is related to managing the increasing internal and external public debt and tackling its effects on the economy. During the first two months of 2010, total income from sales of T-bills was 3 times higher in comparison with the previous year (MDL 1130.1 mil.). It is worth stressing that the concept of borrowing now at such a rate and taxing later, aside from its short-term benefits, generates long-term costs since it disguises the true costs of the government, crowds out private investment and undermines sustainability of the economic growth.

Chart 12 Budget revenues and expenditures rate of growth, %, y-o-y

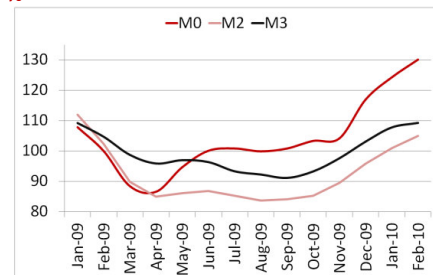


Source: Ministry of Finance

MONETARY POLICY

- During February-March 2010, the NBM continued to implement a prudent monetary policy, on the grounds of the necessity to steer inflation towards the targeted level without undermining the fledgling economic growth expected for 2010. Thus, for the second time in 2010 it increased its policy rate by 1 p.p. given the soaring inflationary expectations and the increase in CPI above the targeted level. In the same time, NBM keeps stable the obligatory reserves rate for not hampering the liquidity levels in the banking system.
- Given the NBM commitment to handle monetary inflationary pressures, it continued to massively issue NBM certificates to sterilize excessive liquidity. As result, NBM strengthened its position of being economy's major debtor, selling in Feb'10 MDL 3.014,9 mil. per day i.e. 34.1% more than in Jan'10.
- In Feb'10, the central bank increased its interventions on the foreign-exchange market, leading to the sterilization of an equivalent of USD 39.1 mil. in national currency. It was determined by the increasing demand for foreign currency coming from importers.
- The monetary mass (M3) increased in Feb'10 by 9.2% in annual terms. On the one hand, it generates additional inflationary pressures, motivating the central bank to operate liquidity sterilization, and, on the other hand, it augurs for a sluggish rebound in domestic and external demand (Chart 13).

Chart 13 Monetary aggregates growth rate, y-o-y, %



Source: NBM

BANKING SECTOR

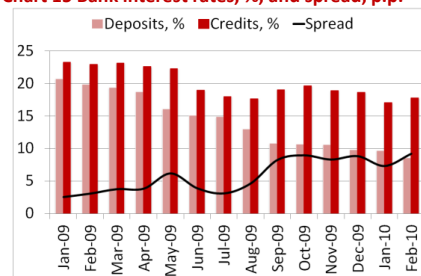
- In Feb'10 banks remained averse about lending given the high uncertainty regarding the financial perspectives of debtors, soaring inflationary pressures and growing non-performing loans (NPL). This issue is getting worse since, almost, the entire real sector is at the mercy of banks and the whole economy needs liquidities as an oxygen mask. In order to create necessary conditions for spurring lending activities, the NBM policy should not affect the liquidity indicators in the banking system, while the Government has to improve insolvency regulatory framework, ease the implementation of judicial decisions, liberalize land market and ensure macroeconomic stability and predictability.
- The banking system "intoxication" remains among the most vexing issues of the current financial crisis. In Feb'10, the NPL share in total credit portfolio reached 17.81% (Chart 14). This further undermined the profitability indicators of commercial banks and dented their economic confidence. High and growing share of NPL motivated commercial banks to increase the risk premiums and keep the banking spread high enough to finance their conservative risk-management.
- Despite the decreasing rates for deposits in national currency (from 9.7% in Jan to 8.6% in Feb'10), the interest rates for credits rose from 17.0% in January up to 17.8% in February 2010 (Chart 15). Consequently, the volume of credits in national currency was only 77.1% of the level registered previous year. At the same time, the rebounding foreign trade fueled the demand of companies for credits in foreign currency for import operations, so that the volume of credits in foreign currency was 10.6% above the level registered previous year.
- For the next few months, the commercial banks will have the possibility to decrease the interest rates on credits taking into account the relatively wide spread between deposit and credit rates and economic recovery anticipated for Q2'10. The gradual increase in monetary policy rate operated by NBM is not likely to create adverse effects for the "money price" of the commercial banks. Liquidity remains abundant (0.61 for long-term liquidity and 38.29% for short-term liquidity) to attenuate the faults of the weak transmission mechanisms for the monetary policy.

Chart 14 Share of non-performing loans, % of total



Source: NBM

Chart 15 Bank interest rates, %, and spread, p.p.

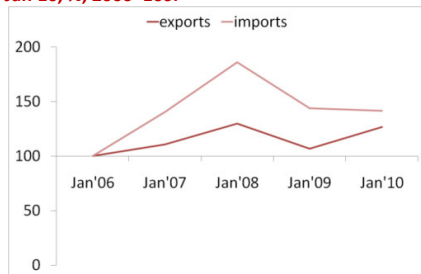


Source: NBM

FOREIGN TRADE

- In January 2010 Moldova's foreign trade continued to recover. Thus, exports increased by 18.7%, while imports almost stagnated (-1.65%), y-o-y. These data show that exports appear to be on a firm ground, enjoying improved foreign outlook and lower comparative base, being also helped by Moldovan Leu depreciation in Dec'09 – Jan'10. The slower-than-expected recovery of imports points at weak domestic consumption determined by sluggish salary growth, feeble remittances' inflow as well as shaky domestic currency (Chart 16).
- From geographical perspective, the exports' recovery was widely spread in Jan'10. Exports grew considerably in the case of majority of the most important destinations. The exports growth is the following from Russia westwards: Russia (+34.5%), Ukraine (+40.4%), Germany (+64.4%), Italy (+21.3%) and the U.K. (+27.3%). The only major exports destination in retreat were Belarus (-43.9%) and Romania (-8.5%), the latter being apparently affected by falling exports of sugar, which overall shrank by 92.5%. By and large, the share held in Moldovan exports by the EU market increased to 58.7% (57.3%), while the share held by the CIS declined to 31.7% (33.9%),

Chart 16 Annual foreign trade evolution, Jan'06-Jan'10, %, 2006=100.



Source: NBS, EG calculations.

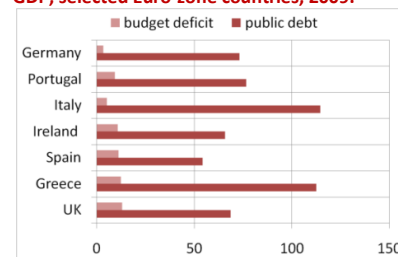
although Russia has entrenched its position on the top with 20.25% vs. Romania's 16.6% share of the total exports.

- Exports advanced significantly also across the range of products. The strongest advances were posted by vegetal products (+39.3%), chemicals (+205%), articles of stone, gypsum, cement, ceramic, glass or similar materials (+49.8%), etc. It is worthwhile to mention that even exports of metals heavily affected by the crisis showed signs of rebound (+43.4%). The exports of vehicles and other associated transport equipment rocketed, posting seven-fold growth. This growth however most probably will be short-lived, as it refers to export of some helicopter parts and re-export of tractors. The only important group of products that stumbled is "foodstuff products; alcoholic and non-alcoholic drinks; tobacco" (-13.25%), which was severely hit by declining sugar (-92%) and beverages (-15.7%) exports.
- Imports still cannot post any growth y-o-y basis, being slightly lower in January 2010 than a year ago. As opposite to exports, the strongest growth of imports comes from the countries where Moldovan exports plunged: Romania (+40%) and Belarus (+24.4%). The most spectacular hike in imports is from Russia (+544.7%), this evolution owes however to the fact that imports of natural gas that last year technically originated from Kazakhstan this year originate from Russia.

GLOBAL ECONOMY AND MARKETS

- The Greek crisis continued to be the bone of contention as the EU leaders searched for the solution that would not allow Greece to fail, but also would avoid setting the "moral hazard"-like precedent of the EU-paid bail-out for other profligate EU members (Chart 17). A tentative "last resort" (as opposed to "bail-out") deal was apparently reached on March 25, 2010. The package consists of 22 bln. euros (there are various estimates of how much money Greece will need in mid-term perspective, *The Economist*, estimates that the country's financing needs will shoot up to 75 billion euros; see *The Economist*, March 25, 2010), of which two-thirds are put up by the EU and the other third by the IMF, respectively. Worthwhile to note, Greece will only be able to access these funds if effectively fails to raise money on the international bond markets (Greece has to raise 18 billion euro by the end of May). Besides being "significant not only for Greece, but also for the stability of the eurozone" (Herman Van Rompuy), the deal will also keep under pressure Greece and other PIIGS governments to pursue fiscal austerity measures and "learn" the crisis lessons.
- The global prices for oil remained extremely volatile throughout March due to extremely uncertain global economic outlook. While the OPEC decided to keep the extraction quotas unchanged, the exogenous factors continued pushing the oil prices in often opposite direction. On the downside, the protracted lack of progress by the EU leaders to reach the decision on aid package to be provided to Greece associated with weaker euro and stronger greenback, reduced the desire to invest in commodities. Furthermore, India's (the second among the developing countries oil consumer after China) decision to jack up the interest rates also spread the antsiness among the investors fearing the slowing economic growth and feebler demand for oil in that country. On the upside, the aforementioned OPEC decision, the tensions in the Yellow Sea as well as tentative decision on the aid package for Greece supported upward trend on the oil market. In the near future prices variations for the crude are expected to stay wide open, from 90 USD per barrel (Societe Generale) to 73 USD per barrel (The EIU).

Chart 17 Budget deficit and public debt as share of GDP, selected Euro-zone countries, 2009.



Source: Eurostat.

STATISTICAL APPENDIXES

Table 1 Moldova: monthly indicators

	Jun'09	Jul'09	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10	Feb'10	Mar'10
Industrial production growth rate, y-o-y, %	-23.2	-23.5	-23.1	-22.5	-22.6	-15.8	-15.7	5.0	3.4	n.a.
Retail-trade growth rate, y-o-y, %	-4.5	-6.0	-5.6	-2.9	-6.5	-2.1	-3.5	3.4	0.3	n.a.
Services to population growth rate, y-o-y, %	2.9	0.4	4.7	9.3	2.5	4.8	4.3	8.1	8.5	n.a.
Merchandise exports, million USD	107.6	111.1	97.9	106.3	124.9	138.5	92.8	84.5	n.a.	n.a.
Merchandise imports, million USD	259.7	264.8	233.9	286.2	304.6	329.3	241.4	198.6	n.a.	n.a.
Official reserve assets, million USD	1.210.1	1.182.6	1.302.5	1.290.5	1.302.5	1.374.5	1480.3	1466.1	1465.3	1473.2
Registered unemployed, persons, beginning of the period	35876	35066	35351	35838	36961	37398	38101	38676	41683	49054
Real wage growth rate, %	3.4	4.1	5.6	9.7	2.9	4.3	4.4e	2.7	-0.1	n.a.
Budget revenues growth rate, cumul. y-o-y, %	-10.2	-9.0	-9.3	-9.7	-9.6	-9.4	-9.2	5.8	6.3	n.a.
Consumer prices growth rate, y-o-y, %	-0.8	-0.5	-2.2	-2.3	-1.6	-0.7	0.4	2.8	4.4	n.a.
Exchange rate, end-period, MDL per USD	11.24	11.21	11.21	11.50	11.06	11.11	12.30	12.53	12.80	12.40
Exchange rate, end-period, MDL per EUR	15.80	15.99	16.03	16.74	16.29	16.55	17.76	17.54	17.28	16.72
Broad money (M2) growth rate, y-o-y, %	-11.9	-14.7	-16.2	-15.5	-14.5	-10.1	-3.8	1.3	5.4	n.a.
Central bank refinancing rate, end-period, %	9.0	8.0	7.0	5.0	5.0	5.0	5.0	6.0	6.5	6.5
Bank deposit rate, %	15.04	14.85	12.99	10.77	10.66	10.56	9.79	9.70	8.45	n.a.
Bank lending rate, %	18.94	17.97	17.65	19.04	19.63	18.88	18.63	17.03	17.78	n.a.
Banks liquid assets, % of total assets	31.46	32.79	33.53	34.53	34.03	35.57	38.27	38.10	38.29	n.a.
Banks unfavorable credits, % of total credits	10.47	11.95	12.88	14.60	15.57	16.62	16.30	17.37	17.81	n.a.
Currency deposits, % of total deposits	56.56	53.92	53.91	54.56	54.08	53.02	53.59	52.95	53.32	n.a.

Source: NBS, NBM and EG calculations and estimates;

Table 2 Moldova: key long-term economic indicators

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Population, million (excludes Transnistrian region)	3.644	3.635	3.628	3.618	3.607	3.600	3.590	3.581	3.573	3.568
GDP, billion USD, current prices	1.289	1.480	1.662	1.981	2.598	2.988	3.408	4.395	6.047	5.409
GDP per capita, USD at PPP	2112	2300	2533	2765	2028	2362	2561	2715	2998	n.a.
GDP growth rate, y-o-y, %	2.1	6.1	7.8	6.6	7.4	7.5	4.8	3.0	7.2	-6.5
Private consumption growth rate, y-o-y, %	27.6	6.1	5.9	18.5	6.2	10.1	7.0	3.6	4.5	-7.9
Gross fixed capital formation growth rate, y-o-y, %	-0.7	5.2	1.1	19.2	11.0	17.7	2.8	10.5	-7.8	-37.2
Industrial production growth rate, y-o-y, %	7.7	13.7	10.8	15.6	8.2	7.0	-4.8	-1.3	0.7	-22.2
Agricultural production growth rate, y-o-y, %	-3.3	6.4	3.4	-13.6	20.8	0.8	-1.1	-23.1	32.1	-9.9
Share of industry in GDP, %	19.0	21.8	20.2	20.5	20.5	19.1	18.0	19.1	13.9	13.0
Share of agriculture in GDP, %	25.4	22.4	21.0	18.3	17.5	16.4	14.8	10.0	8.8	8.5
Merchandise exports, million USD	476.7	564.6	659.7	805.1	994.1	1104.6	1060.8	1373.3	1646.0	1321.5
Merchandise imports, million USD	770.3	879.7	1037.5	1428.1	1748.2	2296.1	2644.4	3676.4	4866.3	3333.0
Service exports, million USD	164.6	170.9	216.65	249.93	332.08	398.94	465.66	625.08	837.2	677.7
Service imports, million USD	201.58	208.78	256.99	294.26	353.05	419.68	487.64	631.16	824.72	701.8
Net foreign direct investment, million USD	127.46	103.32	83.6	73.64	147.8	190.86	234.16	522.04	691.49	112.0
Net work remittances, million USD	148.4	202.8	286.3	440.2	659.5	868.8	1119.0	1419.4	1795.8	1342.4
Current account/GDP, %	-7.6	-1.7	-4.0	-6.6	-2.2	-8.1	-11.7	-15.2	-16.7	-8.6
Official reserve assets, end-year, million USD	222.65	228.54	268.87	302.27	470.27	597.44	775.3	1333.7	1672.4	1480.3
Total external debt stock, million USD	1723.7	1678.3	1816.5	1929.4	1881.8	2078.1	2528.9	3355.9	4106.1	4368.8
External debt/GDP, %	116.8	113.4	109.3	97.5	72.5	69.6	74.3	76.3	67.9	80.8
External debt/exports of goods and services, %	268.8	228.2	198.2	182.2	141.5	138.0	164.8	167.4	164.6	215.1
Employment rate, % of population aged above 15	54.8	53.7	53.3	47.5	45.7	45.4	42.9	42.5	42.5	42.8
Unemployment rate, % of economically active population	8.5	7.3	6.8	7.9	8.1	7.3	7.4	5.1	4.0	6.4
Real wage growth rate, y-o-y, %	2.2	21.6	20.9	15.4	10.1	6.8	14.2	8.0	10.2	9.0
Consumer prices, year average, %	31.1	9.6	5.2	11.6	12.5	12.0	12.8	12.4	12.8	0.0
General government balance, % of GDP	-1.8	-0.3	-2.2	1.0	0.4	1.5	-0.3	-0.3	-1.0	-7.0
General government expenditure, % of GDP	34.5	29.4	31.5	33.1	35.1	37.0	40.1	41.8	41.6	43.5
Exchange rate, year average, MDL per USD	12.4	12.9	13.6	13.9	12.3	12.6	13.1	12.1	10.4	11.1
Broad money (M2) growth rate, y-o-y, %	38.8	37.8	30.4	24.4	44.8	36.7	12.2	47.3	18.3	-3.8
Central bank refinancing rate, end-year, %	27.0	13.0	9.5	14.0	14.5	12.5	14.5	16.0	14.0	5.0
Total commercial bank loans, % of GDP	12.7	15.3	17.7	20.9	22.6	25.5	29.3	37.2	37.5	35.0
Bank deposit rate, %	24.6	20.6	14.4	12.7	15.2	13.0	11.9	15.1	18.1	14.7
Bank lending rate, %	33.3	28.5	23.1	19.2	21.0	18.9	18.2	18.9	21.0	20.3

Source: NBS, IMF, NBM and EG calculations and estimates;